



Renata Resources Inc.

1996 Annual Report

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CORPORATE PROFILE

Renata Resources Inc. ("Renata") was incorporated as 701808 Alberta Inc. on July 3, 1996 and changed its name to Renata Resources Inc. on September 19, 1996. Renata effected a reverse take-over on December 20, 1996 of Big Bear Oil and Gas Ltd. ("Big Bear"), a junior capital pool corporation, whereby Big Bear acquired all of the issued and outstanding shares of Renata in exchange for Big Bear common shares with the effect that prior shareholders of Renata acquired control of Big Bear. Big Bear and Renata amalgamated under the name of Renata Resources Inc. on December 31, 1996.

In April, 1997 Renata acquired all of the outstanding shares of Intensity Resources Ltd. at a purchase price of \$2.30 per share for total consideration of \$127 million which was comprised of \$118 million cash (93%) and \$9.0 million of Renata stock (7%). Intensity is a wholly owned subsidiary of Renata and will be amalgamated into Renata on May 31, 1997.

Renata's strategy is to add shareholder value through the judicious use of technology, business and technical expertise with general areas of focus in Alberta and southeast Saskatchewan, where the management team has had extensive industry experience and commercial success.

MESSAGE TO THE SHAREHOLDER

The incorporation of Renata Resources Inc. in July 1996 represents a re-emergence of a management team who share a common goal of creating shareholder value.

Our formula for sustainable growth is :

- add selectively to a team of talented and energized individuals who share a common work ethic in an environment that fosters creativity and ownership;
- develop a strong property base providing the foundation for future growth;
- maintain an increasing inventory of low risk exploitation projects; and
- maintain a disciplined approach to high impact exploration projects.

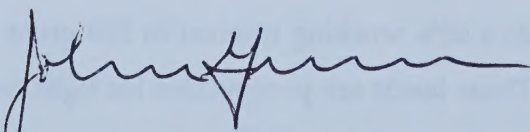
An aggressive, yet prudent, growth strategy will focus on the fundamental efficiencies of finding, developing and producing our reserves. Operatorship and dominance in our core areas play a significant role in developing and maintaining a competitive advantage; while the application of new technologies is critical to superior performance. Our team operates in an environment that allows us to move quickly and efficiently towards capturing new opportunities.

During October, 1996, Renata acquired a 0.647% interest in the Cyn-Pem Cardium "D" Unit No. 1, producing approximately 30 barrels of oil per day (net). The acquisition was strategic to the successful reverse-takeover on December 20, 1996 of Big Bear Oil and Gas Ltd. whereby Renata became a public company.

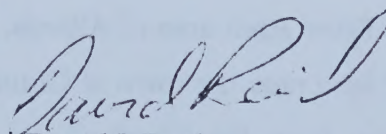
The successful acquisition of Intensity Resources Ltd. was completed on April 25, 1997. The amalgamation of the two companies will occur on May 31, 1997 with the continuing amalgamated entity being Renata Resources Inc. This transaction presents to our shareholders the foundation for significant growth during 1997 and beyond.

Although we have only recently opened the book on Renata, we look forward to closing the first chapter as an Emerging Company. In the immediate future, 1997 is unfolding as a very exciting year for Renata. A plethora of opportunities ranging from low risk exploitation to higher risk, high impact exploration prospects are being pursued and the Company is well positioned to continue to deliver results to its shareholders.

The creation of value is, and always will be, our focus.



John M. Gunn
Chairman and Chief Executive Officer



David J. Reid
President and Chief Operating Officer

OPERATIONAL REVIEW

During October, 1996, Renata raised \$1,700,000 by way of private placements and acquired an 0.70012% interest in the Cyn-Pem Cardium "D" Unit No. 1. The unit, which is operated by Imperial Oil Resources Limited, is located approximately 80 miles west of Edmonton in the general area of the Pembina oil field of central Alberta. The unit was formed in 1986 and comprises 22 producing wells and five water injection wells.

Renata has entered into a joint venture agreement with a private company which owns over 60,000 miles of seismic data in Alberta, Saskatchewan and British Columbia. Under the terms of this agreement, Renata may access any of this geophysical database at no cost in return for allowing the private company to participate as a 40% working interest partner in the exploration of any prospects defined by the geophysical data. Access to such a large seismic database significantly enhances Renata's ability to develop high impact exploration plays and shortens the lead time normally required to identify such plays.

As at February 28, 1997, Renata held varying interests in 7,784 gross acres (3,590 net) of land in southeast Saskatchewan, providing multi-zone, light oil prospects within the Mississippian, Devonian and Ordovician zones. Renata has entered into three industry farmout agreements over a portion of these lands which include two well commitments for a Mississippian and an Ordovician prospect as well as a three dimensional seismic commitment with the option to drill an Ordovician test to earn an interest on a third prospect. These drilling and seismic programs are anticipated to begin in the early summer of 1997. Renata shall retain 50% of its working interest after payout in the farmout lands. Additional seismic data is planned to be acquired in the second quarter of 1997 to evaluate existing lands for Renata operated drilling locations as well as up coming land sales.

In the Peace River Arch area of Alberta, Renata holds a 60% working interest in 800 gross (480 net) acres of land near the town of Grande Prairie. These lands are prospective for light, sweet oil production from the Charlie Lake and Halfway formations. Drilling is anticipated to commence in the second quarter of 1997. Other lands in this area are currently being posted for future land sales.

MANAGEMENT DISCUSSION AND ANALYSIS

In the Lambert area of west Central Alberta, Renata has farmed in on 1,898 gross (569 net) acres of Land. This area is prospective for gas in the Leduc formation. Secondary targets include the Cardium, Viking, Elkton, and Wabamun formations. A Leduc prospect has been mapped on a 3D seismic survey and is currently being drilled. An analogue pool 1.5 miles southeast of the prospect has produced gas from the Leduc formation at initial rates of 20 to 30 million cubic feet per day and contains approximately 85 billion cubic feet of raw gas in place.

The acquisition of Intensity Resources Ltd. in late April of 1997, has provided Renata with a significant cash flow base with which to exploit and explore the assets of Renata and Intensity. A total of 55 development locations and 22 exploration locations have been identified and budgeted for the next twelve month period.

MANAGEMENT DISCUSSION AND ANALYSIS

Renata's results of operations reflect two months of operations. Activities from the date of incorporation to October 31, 1996 are considered to be in the pre-production stage and accordingly all costs associated with these activities, net of income, have been deferred as a component of capital assets.

Revenue

Petroleum sales for the last two months of 1996 were \$39,954 with royalty expenses averaging 28% or \$11,368. Production for the two months averaged 22 barrels of oil per day at an average price of \$29.48 per barrel. Interest income during this period was \$5,986.

Operating Expense

Operating expenses for November and December totalled \$2,056.

General and Administrative Expense

General and administrative expenses for the last two months of 1996 were \$17,213 which amount includes required infrastructure costs of rent, audit, telephones, legal, system support and miscellaneous office supplies.

Depletion and Depreciation

Depletion, depreciation and amortization of start up expenses for the two months were \$22,543.

Net Loss

Net loss for the period was \$7,240.

Funds Generated from Operations

Funds generated from operations for the last two months of 1996 were \$15,304.

Capital Expenditures

Capital expenditures incurred during 1996 were \$500,000 for the acquisition of a producing property; \$218,064 for land and seismic; \$82,843 for furniture and equipment; and \$31,929 for start up costs.

Liquidity and Capital Resources

During 1996 and before the reverse take-over of Big Bear, Renata did a number of private placements, issuing a total of 9,104,639 common shares for \$2,155,530. The reverse take-over of Big Bear resulted in an additional 6,173,009 common shares at \$277,907. Issue costs were \$71,719, resulting in a total share capital for 1996, net of costs, being \$2,361,718.

As of December 31, 1996 Renata had cash and short term deposits of \$1,543,719. The Company intends to purchase assets in excess of the cash presently available by a combination of debt and additional equity if the capital markets are favorable during 1997.

Outlook and Risk

Renata intends to allocate cash flow between low risk exploitation projects (75%) and high impact exploration projects (25%). The focus to all of the projects will be based on solid technical analyses with an integrated technical approach involving engineering, geology and geophysics disciplines.

There are many inherent risks within the oil and gas industry including fluctuating commodity prices, exploration risk, product demand, transportation, restrictions, exchange and interest rate fluctuations, strong competition for acquisitions and governmental regulatory risks. Renata will manage these risks by:

- focusing on high working interests and operated properties in order to ensure efficient and cost effective operations;
- maximizing the present value of reserves by focusing on plays with immediate cash flow;
- maintaining a strong financial position;

- maintaining a mix of production in different areas with a primary focus on attractive netbacks;
- concentrating exploration activities on undeveloped lands on trend with current producing areas;
- employing risk management instruments to minimize exposure to volatility of commodity prices, interest rates and foreign exchange;
- maintaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Company; and
- maintaining strict environmental practices.

RENATA RESOURCES INC.

Balance Sheet

December 31, 1996

Assets

ANALYSTS REPORT TO THE SHAREHOLDERS

Assets

and other information regarding RENATA Resources Inc. is being provided. All numbers are in millions of dollars. The information is being provided to you for informational purposes only. It is not intended to be used as a basis for investment decisions. The information is being provided to you for informational purposes only. It is not intended to be used as a basis for investment decisions.

Financial Statements of

RENATA RESOURCES INC.

For the period from July 3, 1996 to December 31, 1996

Balance Sheet

December 31, 1996

Assets

Balance Sheet

Balance Sheet



AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of Renata Resources Inc. as at December 31, 1996 and the statements of operations and deficit and changes in financial position for the period from July 3, 1996 to December 31, 1996. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
March 6, 1997
(except as to note 6,
which is as of April 25, 1997)

RENATA RESOURCES INC.

Balance Sheet

December 31, 1996

Assets

Current assets:

Cash and temporary investments	\$ 1,543,719
Accounts receivable	69,235
Prepaid expenses	2,792
	<hr/>
	1,615,746

Capital assets (note 3)	810,406
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\$ 2,426,152

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	\$ 71,561
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Provision for future site restoration	113
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Shareholders' equity:

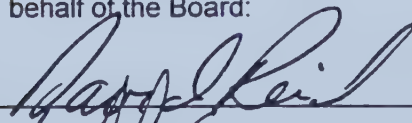
Share capital (note 4)	2,361,718
Deficit	(7,240)
	<hr/>
	2,354,478


Subsequent event (note 6)

\$ 2,426,152

See accompanying notes to financial statements.

On behalf of the Board:





Director

Director

RENATA RESOURCES INC.

Statement of Operations and Deficit

For the period from July 3, 1996 to December 31, 1996

Revenue:

Petroleum and natural gas sales	\$	39,954
Royalties		(11,368)
Other		5,986
		<hr/> 34,572

Expenses:

Operating		2,056
General and administration		17,213
Depletion, depreciation and amortization		22,543
		<hr/> 41,812

Net loss being deficit, at end of period	\$	(7,240)
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Basic loss per share	\$	—
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See accompanying notes to financial statements.

RENATA RESOURCES INC.

Statement of Changes in Financial Position

For the period from July 3, 1996 to December 31, 1996

Cash provided by (used in):

Operations:

Net loss	\$ (7,240)
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Item not involving cash:

Depletion, depreciation and amortization	22,543
	<u>15,303</u>

Change in non-cash operating working capital:	(19,770)
	<u>(4,467)</u>

Financing:

Issue of share capital, net of issue costs	2,361,718
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Change in non-cash financing working capital	22,114
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	<u>2,383,832</u>
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Investments:

Additions to capital assets	(832,836)
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Acquisition of subsidiary, net of cash (note 2)	872
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Change in non-cash investing working capital	(3,682)
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	<u>(835,646)</u>
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Increase in cash position being cash, end of period	\$ 1,543,719
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Cash is comprised of cash and short term deposits

See accompanying notes to financial statements.

RENATA RESOURCES INC.

Notes to Financial Statements

For the period from July 3, 1996 to December 31, 1996

Incorporation:

Renata Resources Inc. (the "Corporation") was incorporated under the laws of the province of Alberta as 701808 Alberta Inc. on July 3, 1996. On September 19, 1996 the Corporation filed Articles of Amendment changing its name to Renata Resources Inc. ("Renata"). On December 20, 1996, Big Bear Oil and Gas Ltd. ("Big Bear") acquired all of the issued and outstanding shares of Renata. On December 31, 1996 Big Bear amalgamated with Renata and the amalgamated Corporation continues under the name of Renata Resources Inc. (see note 2).

1. Significant accounting policies:

(a) Capital assets:

The Corporation follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas properties and related reserves are capitalized into a single Canadian cost center. Such costs include land acquisition costs, cost of drilling both productive and non-productive wells, and geological and geophysical expenses and related overhead.

Capitalized costs, excluding costs relating to unproven properties, are depleted using the unit-of-production method based on estimated proven reserves of oil and gas before royalties as determined by independent petroleum engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on the approximate relative energy content.

The Corporation applies a "ceiling test" to capitalised costs to ensure that such costs do not exceed future net revenues from estimated production of proven reserves, using prices and costs in effect at the Corporation's year end, and the costs of unproven properties less impairment. Future net revenues are undiscounted and are calculated after deducting general and administrative costs, financing costs, income taxes and site restoration and abandonment costs.

Gains or losses on the disposition of oil and gas properties are not ordinarily recognized except under circumstances which result in a major revision of depletion rates.

Some of the Corporation's oil and gas exploration and development activities are conducted jointly with others and, accordingly, the financial statements reflect only the Corporation's proportionate interest in such activities.

RENATA RESOURCES INC.

Notes to Financial Statements

For the period from July 3, 1996 to December 31, 1996

1. Significant accounting policies (continued):

(a) Capital assets (continued):

Depreciation of office furniture, equipment and other is provided using the straight-line method based upon estimated useful lives at a rate of 20%.

The Corporation's activities during the period from the date of incorporation to October 31, 1996 are considered to be in the pre-production state and as such all costs associated with these activities, net of revenues, have been included as deferred petroleum and natural gas properties as a component of capital assets.

(b) Future site restoration and abandonment costs:

Site restoration and abandonment costs are provided for over the life of the estimated proven reserves on a unit-of-production basis. Costs are estimated each year by management in consultation with the Corporation's engineers based on current regulations, costs, technology and industry standards. The period charge is included in depletion and depreciation expense and actual site restoration and abandonment expenditures are charged to the accumulated provision account as incurred.

(c) Measurement Uncertainty:

The amounts recorded for depletion, depreciation and amortization of petroleum and natural gas properties and equipment and the provision for future site restoration and reclamation are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(d) Per share amounts:

Per share amounts are calculated using the weighted average number of shares outstanding during the year. Fully diluted calculations per share reflects the exercise of options and warrants at the later of the date of issuance or the beginning of the year. Anti-dilutive options and warrants are not included in the calculation.

RENATA RESOURCES INC.

Notes to Financial Statements

For the period from July 3, 1996 to December 31, 1996

2. Acquisition:

On December 20, 1996, Big Bear acquired all of the issued and outstanding common shares of Renata in exchange for 10,777,648 common shares of Big Bear. As part of the transaction, the shareholders of Renata acquired directly from the shareholders of Big Bear 2,300,000 common shares of Big Bear. As the shareholders of Renata obtained control of approximately 86% of the total issued and outstanding shares of Big Bear the share exchange has been recorded as an acquisition of Big Bear by Renata using the purchase method. The assets and liabilities acquired and the consideration paid have been allocated as follows:

Allocated:

Cash and short term deposits	\$ 278,779
Accounts payable and accrued liabilities	(872)
Share issuance costs	71,719
	<u>\$ 349,626</u>

Cost of acquisition (note 4):

Share capital issued	\$ 277,907
Share issuance costs	71,719
	<u>\$ 349,626</u>

3. Capital assets:

	Cost	Accumulated provision	Net book 1994
	1993		
Petroleum and natural gas properties and equipment	\$ 718,064	\$ 18,604	\$ 699,460
Furniture and office equipment	82,843	2,762	80,081
Pre-production costs, net of revenue	31,929	1,064	30,865
	<u>\$ 832,836</u>	<u>\$ 22,430</u>	<u>\$ 810,406</u>

The depletion calculation has excluded unproven properties of \$218,000.

As at December 31, 1996 the estimated future site restoration costs to be accrued over the remaining proved reserves are \$3,000.

RENATA RESOURCES INC.

Notes to Financial Statements

For the period from July 3, 1996 to December 31, 1996

4. Share capital:

Authorized:

Unlimited number of voting common shares

Unlimited number of preferred shares

Issued:

	Number of Shares	Amount
Initial private capital	4,530,200	\$ 113,255
Private placements	2,200,000	1,100,000
Private placement of flow-through shares	1,500,000	600,000
For repayment of shareholder loans	849,439	339,775
Private placement	25,000	2,500
Balance December 20, 1996	9,104,639	2,155,530
Common share capital of Big Bear at the time of acquisition	4,500,000	—
Deemed share capital on acquisition of Big Bear (note 2)	10,777,648	277,907
Share issue costs	—	(71,719)
Balance December 31, 1996	15,277,648	\$ 2,361,718

The Directors of the Corporation have approved a stock option plan whereby up to a maximum of 10% of the issued common shares of the Corporation will be available for purchase by directors, officers, employees, and other persons providing services to the Corporation. Options have been granted to purchase 1,006,191 common shares of the Corporation at a price of \$.50 per share. These options expire as to 958,841 common shares on October 10, 2001 and 47,350 on November 1, 2001.

An option to purchase 200,000 common shares at \$0.10 per common share has been issued to an agent. The options expire in May 1997.

RENATA RESOURCES INC.

Notes to Financial Statements

For the period from July 3, 1996 to December 31, 1996

5. Income taxes:

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 44.6% to income before income taxes. The difference relates to the following items:

Statutory tax rate:	44.6%
Expected provision (recovery)	\$ (3,200)
Non-deductible crown charges	5,000
Resource allowance	(2,300)
Unrecognized benefit of losses	500
	\$ -

As at December 31, 1996 the Corporation has a commitment to renounce a further \$600,000 of income tax attributes associated with oil and gas exploratory and development activities.

6. Subsequent events:

Effective April 25, 1997, the Corporation acquired 100% of the outstanding common shares of Intensity for total consideration of \$129 million including 7,491,000 common shares at \$1.20 per share. The acquisition will be accounted for using the purchase method as follows:

	(000's)
Cost of acquisition:	
Cash	\$117,552
Share capital issued	8,989
Acquisition costs	2,592
	\$ 129,133
Allocated:	
Capital assets	\$ 150,841
Current assets	21,940
Current liabilities	(13,520)
Long-term debt	(28,584)
Preferred shares - Series C	(1,544)
	\$ 129,133

RENATA RESOURCES INC.

Notes to Financial Statements

For the period from July 3, 1996 to December 31, 1996

6. Subsequent events (continued):

In conjunction with the acquisition, the Corporation issued 60,000,000 special warrants at an exercise price of \$1.20 per warrant for proceeds, net of fees and expenses of \$68,305,095. Each special warrant entitles the holder to acquire, upon exercise and without payment of additional consideration, one common share of the Corporation.

The Corporation has also arranged with a chartered bank a non-revolving demand credit facility to fund up to \$30 million of the cash consideration of the offer. The facility bears interest at the lender's prime rate plus 1% and is secured by a general assignment of book debts, a general security agreement, a \$70,000,000 first fixed and floating charge debenture, and a pledge of all shares of Intensity as acquired.

CORPORATE INFORMATION

OFFICERS AND KEY PERSONNEL

John M. Gunn
Chairman and Chief Executive Officer

David J. Reid
President and Chief Operating Officer

Alan G. Glessing
Controller and Corporate Secretary

Tony Angelidis
Manager, Exploration

Michael G. Lambros
Manager, Land

Kevin L. Adair
Manager, Production

Marlo A. Baydala
Chief Geophysicist

Cindy L. Ibach
Supervisor, Corporate Services and
Assistant Corporate Secretary

DIRECTORS

John M. Gunn
Calgary, Alberta
Director since July 3, 1996
Chairman of the Board, Renata
Resources Inc.; prior to June 14, 1996,
President and Chief Executive
Officer, Ballistic Energy Corporation

David J. Reid
Calgary, Alberta
Director since July 3, 1996
President and Chief Operating
Officer, Renata Resources Inc.; prior
to June 14, 1996, Vice President,
Operations and Chief Operating
Officer, Ballistic Energy Corporation

Richard F. Shaw
Calgary, Alberta
Director since October 9, 1996
President, Glen Isle Exploration Ltd.
(a private oil and gas exploration and
production company)

Harry S. Campbell
Calgary, Alberta
Director since November 1, 1996
Partner, Burnet, Duckworth & Palmer

Legal Counsel
MacKimmie Matthews
Calgary, Alberta

Auditors
KPMG
Calgary, Alberta

Banker
National Bank of Canada
Calgary, Alberta

Registrar and Transfer Agent
The R-M Trust Company
Calgary, Alberta

Stock Exchange Listing
The Alberta Stock Exchange
Symbol: RTA

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